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SUBJECT: EXPANDED IRAQI ENERGY WORKING GROUP CALLS FOR  
GREATER COOPERATION AND BILATERAL MEETINGS

REF: ISTANBUL 129

¶1. (SBU) SUMMARY: An Expanded Energy Working Group (WG) meeting on October 11 to assist with Iraq's reconstruction brought pledges and suggestions on how to best help the country become energy self-sufficient along with developing its energy export sector. The first half of the meeting followed the traditional Neighbor's Energy WG, i.e. briefings of the electricity and fuel situation in Iraq and what the neighbors are doing to assist. The second half was focused on reforming the WG to make it "results based." This included a suggestion by the UN delegation that this forum also handle regional problems with pipelines, electric power, and water. The Turkish hosts made the case for Turkey as an ideal country to export the region's gas (especially Iraq's) to Europe. The WG declared in its final statement that the next meeting may have a parallel private sector event.

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An expanded conference  
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¶2. (SBU) Representatives from Iraq and neighboring states, along with major countries and international organizations met in Istanbul on October 11 to discuss how to help Iraq overcome its energy problems. This meeting comes roughly six months after a smaller WG also held in Istanbul (reftel A). The WG provided the Iraqi delegation, led by Iraqi Electricity Minister Karim Wahid Hassan, an opportunity to describe Iraq's energy situation and call for assistance from WG members. The WG members all reacted positively to Iraq's plight, but differed on how to move forward. Overall, the response to the expanded WG was positive, because we expect it will facilitate follow-on bilateral meetings. Of the neighbors, only Saudi Arabia did not attend the Expanded Energy WG.

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Turks Want More Iraqi Energy Exports  
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¶3. (SBU) Turkish Minister Guler encouraged increased Iraqi energy exports using the Turkish Mediterranean port Ceyhan,

a major outlet for Iraqi oil. According to Guler, Ceyhan is not at full capacity for oil exports. Iraqi Director General of State Oil Marketing Organization (SOMO) Falah Al-Amiri indicated additional exports of oil to Ceyhan should not be a problem. Regarding natural gas, Guler argued Iraqi gas could be piped into Ceyhan and sent to Europe via the U.S.-supported Nabucco pipeline or via a yet-to-be-built LNG terminal. Guler stated it would not take long to build a gas pipeline connecting northern Iraq to Ceyhan. Turks have expressed an interest in sending 10 BCM of Iraqi natural gas to Europe through Turkey. Vural Altay, MFA Deputy Director General for Energy, Water, and Environment, presented three options for Iraq to send its gas to Europe:

- 1) The existing Turkey Greece Gas Interconnector (TGI) pipeline,
- 2) The proposed Nabucco pipeline, or
- 3) The proposed LNG terminal at Ceyhan.

Maps in Altay's powerpoint presentation showed a potential gas pipeline that would go from Kirkuk to Erbil to Cizre, and finally to Ceyhan rather than paralleling the existing Iraq-Turkey oil pipeline. (Comment: This is different from earlier proposals to build a gas pipeline parallel an existing line. End comment.) According to Guler, the Turkish Pipeline Company (BOTAS) is ready to help Iraq and the Turkish Petroleum Company (TPAO) would like to establish a consortium with international companies to development upstream gas in Iraq. The Turkish presentation on sending Iraqi gas through Turkey to Europe was well received by the EU Commission, but the Iraqis were lukewarm to the idea as the Iraqi delegation noted it needed to decide on domestic usage first before contemplating exports of natural gas.

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14. (SBU) Abdulhalim Kasem, the Syrian Deputy Energy Minister noted his country's agreement to invest in the western Iraqi gas field Akkas. Note: Syria drilled six wells in Akkas in the 1990s. End note. Syrian assistance would help generate power for domestic Iraqi consumption while simultaneously exporting gas to Europe or the Gulf through the Arab pipeline. Jordanian Ambassador to Turkey, Fariz Mufti also supported the Syrian plan to connect Iraq to the Arab pipeline.

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Helping Iraq Obtain Sufficient Electricity  
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15. (SBU) Hassan explained Iraq currently is suffering an acute electricity crisis caused by three wars, crippling sanctions, and the looting following the collapse of the Saddam Hussein regime. Iraq has been unable to invest the necessary funds to fix the system, Hassan continued, yet current stable conditions provide an opportunity to rebuild. According to Hassan, Iraq needs to increase its current electrical generation capacity threefold to meet demand. Hassan hoped a conference on electricity project tendering in Iraq sponsored by the World Bank and UNDP in November will help Iraq supply its people with power.

16. (SBU) Guler pointed out Turkey sends electricity to Iraq despite its own shortages. Turkey's Special Envoy to Iraq Murat Ozcelik added he met with the Turkish private supplier of electricity to help fix problems regarding power outages. Ozcelik suggested sending an assessment team to look at both the Iraqi and Turkish situation and report back to the GOT and GOI. Al-Amiri agreed, suggesting SOMO could assist with the assessment, especially regarding problems with shipping heavy fuel oil to the electrical generating station in Turkey. Comment: Much of this problem stems from the GOI payment arrears to the private Turkish firm (Kartet), which results in power interruptions for "technical" reasons from Kartet. End comment.

17. (SBU) Kasem said Syria increased its electricity transmission network from Damascus to Deir oz Zour, therefore his country is ready to again export electricity to

the Iraqi province Ninewa. Mufti stated Jordan negotiated with Iraq to build a power station in Jordan dedicated to export electricity to Anbar province. Hassan Danaeifard, Iranian Secretary of the Iran-Iraq Economic Development Headquarters also detailed Iran's commitment to send about 1300 MW of electricity to Iraq (septel).

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Problems With Trucking Oil out of Iraq  
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¶8. (SBU) Representatives from Iraq, Turkey, Iran (septel), Syria, Jordan, and Kuwait all mentioned problems with trucking oil in and out of Iraq. Al-Amiri criticized the long delays at the Iraq-Turkey Habur Border Gate. Ozcelik described the need to establish a second border gate with Iraq to ease the congestion at Habur Gate, reiterating a long-standing Turkish proposal. Mufti appreciated Iraqi exports oil to Jordan; however deliveries fall short of thirty thousand bpd due to Iraqi problems with loading trucks. Mufti would like to see a pipeline to Zarqa; he stressed the need to talk more about this project, especially financing. Kasem agreed with Al-Amiri on the need to rehabilitate existing oil pipelines with Syria and finalize a new pipeline. Al-Amiri noted that the K Crossing in Kuwait was still an issue and that he would like the border crossing open more than 1-2 hours a day to allow greater quantities of diesel/gasoil to reach the Musayyib power plant.

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International Support for Iraq  
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¶9. (SBU) The Russian delegation, headed by Sergey Vershinin, ISTANBUL 00000539 003 OF 003

MFA Director General for the Middle East and North Africa, noted Russia's desire to support a united and stable Iraq. Last February, Russia and Iraq met regarding a commission on trade. Vershinin also said Russia opened a consulate in Erbil.

¶10. (SBU) A number of the neighbors described their efforts to train Iraqi technicians. Kasem credited Syria with training 60 technicians from MOE, with an anticipated 83 in the second phase. Mufti said Jordan trained 30 MOE engineers in August, and plans to train another 40 with the help of a Swiss firm. Kansuke Nagaoka, Japanese Minister-Counselor, credits his country with training 2,500 Iraqi engineers.

¶11. (SBU) Despite being an Energy Working group meeting, Syria, Jordan, and Iran (septel) all stressed the strain placed on their countries by Iraqi refugees. The Syrian representative said Syria had received the lion's share of Iraqi refugees, some 2 million, which placed a disproportionate burden on his country.

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Expanded Working Group Format  
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¶12. (SBU) Hassan hoped the expanded format for the Energy Working Group would facilitate separate bilateral meetings to help Iraq's neighbors obtain an integrated electrical grid. The October Working Group included many newcomers to the meetings such as: China, UK, Germany, France, Italy, Japan, Russia, the EU, the Arab League, EU Commission, and the Organization of the Islamic Conference. Iraqi Minister Councilor Mohammed Abdullah Memid also found the expanded format helpful. Iraqi Chairman of the Energy Committee, Jewad Al-Hindawi saw the value of the expanded WG to build necessary contacts to drive bilateral relations. Hindawi argued against signing agreements or conventions at the working group, instead the WG should follow-up on problems, he stated. Vershinin from the Russian Federation agreed,

saying the WG mandate should be defined as "creating an atmosphere for bilateral and multilateral meetings", yet there should be no signing of contracts at the WG.

¶13. (SBU) The Japanese representative would like to see the private sector participate in future meetings and also suggested the next WG meeting to be held in Baghdad. Ozcelik noted bringing private companies in is an idea worth considering since they can discuss the facts on the ground. Private companies would also benefit from learning the rules and regulations of the new business environment. The Expanded Energy WG agreed to hold a separate event in which private companies could participate. Ozcelik also supported holding a meeting in Baghdad if the necessary conditions are in place to show the progress there, but indicated Istanbul remains available as a fallback location.

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